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RUEKJCS/CJCS WASHINGTON DC  
RHHMHBA/COMPACFLT PEARL HARBOR HI  
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C O N F I D E N T I A L TOKYO 002745

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TAGS: [PREL](#) [PGOV](#) [MARR](#) [JA](#)

SUBJECT: SCENESETTER FOR PACOM COMMANDER ADM KEATING'S OCT  
8-10 VISIT TO JAPAN

Classified By: Ambassador J. Thomas Schieffer; Reasons: 1.4 (b/d)

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SUMMARY  
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11. (C) You will arrive in Japan in the wake of a dramatic leadership change. Newly-elected Prime Minister Taro Aso is regarded as a strong supporter of the U.S.-Japan Alliance, who we expect will try hard to maintain course for our important bilateral initiatives, including the realignment of U.S. Forces. He favors a more robust Japanese contribution to international issues, such as Iraq and Afghanistan, but also has a history of making statements that strained Japan's relations with its Asian neighbors. He and the ruling Liberal Democratic Party (LDP) will have their hands full in the coming weeks as they struggle to keep the opposition parties at bay while pushing forward important legislation, including the bill for renewing maritime refueling operations in the Indian Ocean. Aso's immediate challenge, however, is addressing domestic issues and Japan's economic problems. We are moving forward on realignment and other Alliance issues, but face uncertainties in areas that require Japanese budget appropriation and strong political will. End Summary.

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DOMESTIC POLITICS: ASO IS PM, LH ELECTION OUTLOOK UNCERTAIN  
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12. (C) Former LDP Secretary General Taro Aso became the new Prime Minister of Japan on September 24, succeeding Yasuo Fukuda, who, like his predecessor, former Prime Minister Abe, had resigned unexpectedly amid considerable political difficulties and declining support rates. Aso unveiled his new Cabinet lineup the same day, re-appointing a handful of ministers from the recently reshuffled Fukuda Cabinet and appointing the remainder primarily from among his close associates in the ruling Liberal Democratic Party (LDP). The substantive credentials of Aso's new Cabinet appointments are strong and reflect the need for serious, experienced hands at a time when the LDP may be fighting for its political life. Nearly all of the new ministers are well-known to the public and have held ministerial portfolios in the past. The roster includes a number of serious policy wonks. Most are also

relatively conservative and low-key.

¶3. (C) Whether Aso's team can help the LDP prevail in the Lower House elections against Ichiro Ozawa and his Democratic Party of Japan (DPJ) remains questionable. Aso anticipated a "honeymoon" period of high support rates, but polls are well below LDP expectations, ranging from a low of 45 to a high of 53 percent, with the average approximately 10 points lower than former Prime Minister Fukuda when he launched his first Cabinet in 2007 and 20 points lower than former Prime Minister Abe's ratings in 2006. Aso's ratings are, however, much higher than Fukuda's ratings at the end of his administration, which ranged from the high 20s to the low 30s. Aso out-polls DPJ leader Ozawa by a wide margin in surveys on the public's choice for Prime Minister.

¶4. (C) Aso's Cabinet members' early problems have not helped him with the public. The resignation of Minister for Land, Infrastructure, and Transportation Nariaki Nakayama for repeated verbal missteps within only five days of his appointment, along with allegations of political funds scandals involving two other new ministers, dominated the news during week one of Aso's administration. Despite the risk of losing control of the Diet, most in the LDP believe that dissolving the Lower House within the next several weeks is the party's only hope for blunting the DPJ's ability to attack the ruling coalition in the Diet over the pension scandal, recent food safety scares, and a host of other issues.

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ECONOMIC POLICY UNDER NEW ASO TEAM  
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¶5. (C) In looking to the possibility of early Lower House elections, Prime Minister Aso is developing an economic campaign built around a central theme: "stimulating the stagnating Japanese economy." He is pushing a three-stage approach: use a supplemental budget to stimulate the economy in the short-term; repair the country's fiscal balance in the medium-term; and increase Japan's potential economic growth rate through structural reform in the long-term. Japan's now-weakening economy and slowing global growth has restricted Japan's ability to turn to its standard policy ) exporting its way out of the problem ) and as a result, Aso is putting a priority on short-term economic stimulus.

¶6. (C) Aso has also put aside, at least for now, the structural reform banner that former Prime Minister Koizumi once held high. The need to reform the pension and healthcare systems, to introduce greater competition into the economy, and to raise productivity have not gone away, but the dominant perception within the LDP is that the public is tired of structural reform and needs to be reassured. The political calculation is understandable, but it means a delay in the kinds of reforms necessary to strengthen Japan's economic power over the long-term. This, in turn, affects Japan's ability to support U.S.-led initiatives such as Iraqi reconstruction, Operation Enduring Freedom (OEF) and other international aid and donors requests.

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FOREIGN POLICY  
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¶7. (C) Prime Minister Aso has inherited a number of important foreign policy challenges from the preceding administration. As host and president of the G-8 Summit this year, Japan has made a number of pledges to contribute to a range of global issues, such as climate change and the environment, as well as international development and assistance. Responding to criticism both in and outside Japan, the Japanese government has been exploring ways to expand its contribution to Afghanistan beyond aid assistance and the refueling operations in support of OEF. In the region, Japan must deal with its uneasy relations with China and South Korea, which flare periodically from history and territorial disputes. North Korea's nuclear program and the

resolution of Japanese abductees to the DPRK remain high among Japan's foreign policy priorities.

¶18. (C) The generally conservative, hawkish Aso is a strong supporter of the U.S.-Japan Alliance and is expected to continue the foreign policy course set by his immediate predecessors. Aso has called on his ministers to build a "bright and strong" Japan. Attacking DPJ leader Ozawa's UN-centered foreign policy, Aso asked rhetorically where Japan should put its trust -- on the U.S.-Japan Alliance or on an organization often swayed by a number of "small nations." He also directed Foreign Minister Hirofumi Nakasone to work on strengthening U.S.-Japan ties, fighting terror, and dealing with the DPRK.

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SECURITY POLICY  
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¶19. (C) As with foreign policy, the Aso administration is expected to maintain a similar position on Japan's security policy as its predecessors. Defense Minister Hamada is well-versed on Alliance Transformation issues and is a strong supporter of "normalizing" Japan's defense policies. He has often expressed frustration to the Embassy over the Japanese government's steady stream of "excuses" for not playing a more equal role in the Alliance, including in out-of-area operations. He supports a more active Japanese presence in Afghanistan. He also strongly advocates relaxing Japan's arms export restrictions in order to deepen cooperation between the U.S. and Japanese defense industrial bases. In addition, senior Japanese officials have expressed their intention to push for continued OEF refueling operations, although the possibility of an election this fall has put Diet action in doubt. With the successful arrival of the U.S.S. GEORGE WASHINGTON on September 25, the Aso administration appears ready to advance other important Alliance initiatives.

¶10. (C) The Aso administration has, nevertheless, formidable challenges ahead in terms of security issues. Expanded Japanese contribution to Afghanistan is unlikely to occur until the current Diet gridlock is resolved. The possible dissolution of the Lower House in coming weeks can prevent the timely renewal of OEF refueling legislation, which expires on January 15, 2009, potentially leading to many months of a gap in refueling operations. Prime Minister Aso, who was one of the signatories of the May 1, 2006 realignment roadmap, is expected to push ahead with implementation of the bilaterally agreed plans for the realignment of U.S. Forces. The unsettled political situation in Tokyo, however, is complicating bilateral consultations on initial Japanese funding for the USMC Guam relocation. The Okinawa Governor has also continued to insist on slight revisions to the Futenma Replacement Facility (FRF), even as he cooperates with the completion of the environmental impact survey for the FRF project.

SCHIEFFER